

Message Text

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17

ACTION TRSE-00

INFO OCT-01 EA-06 NEA-09 ISO-00 IO-10 H-02 L-02 PA-01

PRS-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /096 W

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R 250705Z MAR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1628

INFO AMEMBASSY COLOMBO

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 12/31/75

TAGS: EAID, EFIN CE

SUBJECT: COST OVERRUN ON BOWATENNA POWER PROJECT

SUMMARY: ON BASIS BID PRICES RECEIVED FOR ADB-FINANCED CONTRACTS RE BOWATENNA POWER PROJECT IN SRI LANKA (APPROVED DEC 19, 1972), BORROWER HAS INDICATED THERE WILL BE ABOUT \$4.5 MILLION FOREX COST OVERRUN. BANK MANAGEMENT INTENDS TO AUTHORIZE IMPLEMENTATION AGENCY TO ISSUE NECESSARY LETTERS OF INTENT TO AWARD CONTRACTS WITH UNDERSTANDING THERE IS NO COMMITMENT ON PART OF BANK TO FINANCE EXCESS OVER ORIGINAL \$8.0 MILLION LOAN AMOUNT; BUT ALSO WITH UNDERSTANDING OVERRUN MAY SUBSEQUENTLY BE FINANCED BY BANK IF BOARD OF DIRECTORS APPROVES SUPPLEMENTARY LOAN FOR PROJECT. END SUMMARY.

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1. ADB BOARD OF DIRECTORS APPROVED \$8.0 MILLION

LOAN TO GOVT. OF SRI LANKA ON DEC 19, 1972 TO
FINANCE FOREX COST OF BOWATENNA POWER PROJECT FOR
HYDROPOWER GENERATION. POWER PLANT WAS SCHEDULED
TO BEGIN OPERATIONS IN OCTOBER 1976. HOWEVER,
AFTER DELAY IN RECRUITMENT OF ENGINEERING
CONSULTANTS, PROCUREMENT TENDERING NOT COMPLETED
UNTIL DECEMBER 1974. EVALUATION OF MAJOR TENDERS
NOW COMPLETED AND CONTRACTS EXPECTED TO BE
AWARDED WITHIN FIRST HALF OF 1975. (CONSTRUCTION
OF BOWATENNA DAM BEING FINANCED UNDER IDA LOAN ALSO
DELAYED. HYDRO-STATION TO BE CONSTRUCTED UNDER
BANK LOAN WILL BE FED WITH WATER FROM BOWATENNA
RESERVOIR, WHICH IS BEING CONSTRUCTED UNDER IDA
LOAN.)

2. AS RESULT GENERAL INCREASE IN WORLD PROCES
FOR THIS TYPE OF EQUIPMENT SINCE ORIGINAL PROJECT
APPRAISAL, BID PRICES ON BANK-FINANCED CONTRACTS
INDICATE THERE WOULD BE FOREX COST OVERRUN OF
ABOUT \$4.5 MILLION. BORROWER ADVISED BANK
THAT SRI LANKA COULD NOT PROVIDE ADDITIONAL
FOREX REQUIREMENT IN VIEW COUNTRY'S SERIOUS
FOREX SITUATION AND REQUESTED SUPPLEMENTARY
LOAN FROM BANK.

3. MANAGEMENT INTENDS TO AUTHORIZE IMPLEMENTA-
TION AGENCY TO ISSUE NECESSARY LETTER OF INTENT
TO AWARD CONTRACT, BUT WITH NO COMMITMENT ON
BANK'S PART TO FINANCE CONTRACTS IN EXCESS OF
APPROVED LOAN AMOUNT. HOWEVER, THERE WILL BE
UNDERSTANDING THAT, IF BOARD OF DIRECTORS
APPROVES SUPPLEMENTARY LOAN, THESE CONTRACTS
MAY BE FINANCED FROM LOAN PROCEEDS.

4. INFORMATION PAPER ON THIS SUBJECT (ADB DOC.
IN-32-75) BEING POUCHED ADDRESSEES.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COSTS, DEVELOPMENT LOANS, DEVELOPMENT BANKS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA03752
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750103-0671
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750318/aaaaaqgm.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by ElyME>; APPROVED <19 NOV 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COST OVERRUN ON BOWATENNA POWER PROJECT SUMMARY: ON BASIS BID PRICES RECEIVED FOR ADB-
TAGS: EAID, EFIN, CE, ADB-1
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006